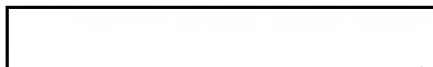


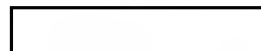
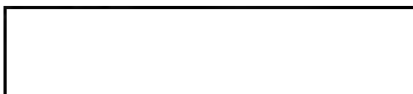
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DOS review(s) completed.

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[REDACTED]

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[REDACTED]

FAR EAST

1. Indian Charge receives cool response to praise of Peiping regime:

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The Peiping press quotes Indian Charge Kaul, at the Indian National Day reception in Peiping on 26 January, as praising the "mighty achievements" of Communist China and as lauding Mao Tse-tung as

"one of the greatest leaders of Asia and the world and a great friend of India." In contrast, Chinese Communist Commander-in-Chief Chu Teh's response conveyed merely the conventional "warm greetings" to the Government of India.

Comment: Peiping's cool response on this occasion is in contrast to last year's reception, when Mao Tse-tung was present and spoke more warmly of Sino-Indian friendship. The Peiping regime has since then appeared indifferent to, or even contemptuous of, Indian gestures of friendship.

2. Bao Dai suggests he succeed De Lattre:

25X1A



In an interview with American Minister Heath, Bao Dai said that a "dangerous stalemate of incompatibility" had been reached with the French and that France must cease its "annoying interventions" in internal political matters. He also asserted that it was time the French declared their true aims in Vietnam: he hoped that they did not contemplate a return to colonialism.

Bao Dai further stated that General de Lattre had wanted him to succeed to the positions of Commander in Chief and High Commissioner. Bao Dai declared himself ready to assume the responsibilities of these positions. Heath believes that such a step might break the political impasse.

- 3 -

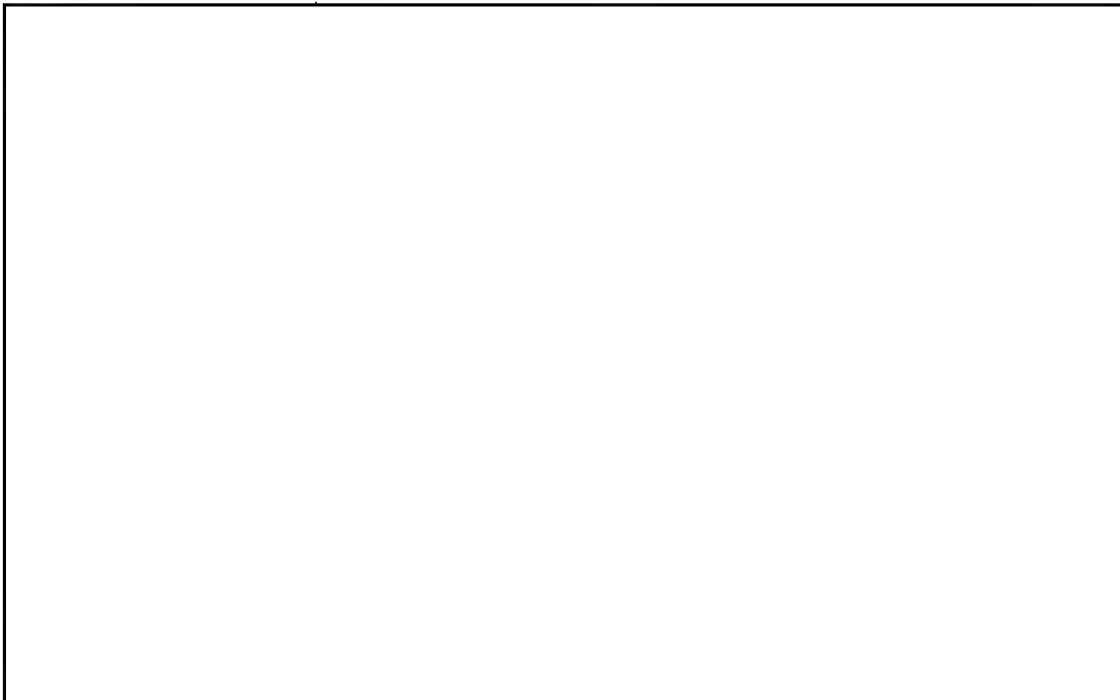
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Comment: The French have repeatedly rejected far less drastic proposals for increased Vietnamese authority than the one proposed by Bao Dai. De Lattre's combined military and political responsibilities extended to the states of Cambodia and Laos, which are governed by their own sovereigns and owe no allegiance to Bao Dai.

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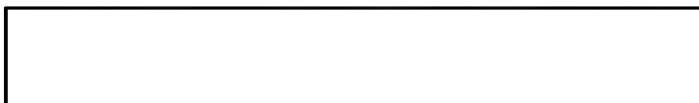
SOUTH ASIA

4. Comment on the UN's new attempt to solve the Kashmir problem:

India's present attitude is not conducive to settlement of the Kashmir situation. On the eve of UN Representative Dr. Frank Graham's departure for the subcontinent for another two months, there is no indication that India is yet prepared to give ground on any major point in the dispute.

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Indian press reaction has been sympathetic to Soviet delegate Malik's UN speech of 17 January, in which he accused the United States and Great Britain of bad faith and advocated settlement of the Kashmir question by a Kashmiri Constituent Assembly. Conversely, press reaction to the publication on 21 January of General Devers' proposal for demilitarization of Kashmir was bitterly critical. In fact, several papers commented that this plan, which was shown to Pakistan but not to India prior to publication, seemed to provide documentary support for Malik's charges of Anglo-American duplicity in dealing with India.

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American Ambassador Bowles reports that on 29 January he found Prime Minister Nehru and Foreign Secretary Menon reticent and resentful as a result of a recent forthright British approach calling upon the Indian Government to prove its sincerity by demonstrating its will to cooperate on Kashmir.

NEAR EAST - AFRICA

5. Britain developing new proposals for Anglo-Egyptian negotiations:

25X1A

The British Foreign Office now favors preliminary negotiations with Egypt on the varied problems of Anglo-Egyptian relations, to be followed by British-French-American-Turkish-Egyptian discussion of the Middle East Command proposal. Britain is aware that a flexible agenda for the preliminary talks will be necessary and that it will probably not be possible to exclude the question of the Sudan.

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The Foreign Office realizes that concessions on the Sudan would greatly aid the defense negotiations, but believes "it is no good solving a trouble spot in one area by creating a trouble spot in another area." Officials still deny that recognition of Farouk's title as King of the Sudan is necessary to obtain a defense agreement. They are suggesting that the Governor General of the Sudan consult with Sudanese leaders in order to discover some concessions that Britain could make.

Comment: These suggested new moves would represent a small advance from the consistently cautious position held by the British in recent weeks.

6. Egyptian Prime Minister favors "quick action" on dispute with Britain:

25X1A

Egyptian Prime Minister Ali Maher has told the American Ambassador in Cairo that he is very much interested in "quick action" on the Anglo-Egyptian controversy and is hopeful that a settlement can be reached "very soon." He emphasized, however, that no agreement is possible unless Farouk is recognized as King of the Sudan. He further stated that the British "base" must be moved out of Egypt and that a solution of the dispute with Britain must precede any attention to domestic social reforms.

The French Ambassador in Cairo has discounted the British contention that recognition of the Sudan title would result in riots and civil disorders in the Sudan. He added that if the opportunity now existing for negotiating a settlement is not seized, it will not come again.

Comment: The American Ambassadors in Cairo and London also agree that negotiations should be opened quickly.

While both Britain and Egypt have made conciliatory gestures, neither has yet given any indication that it is prepared to make genuine concessions.

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7. Comment on the visit of the Greek Deputy Prime Minister to Turkey:

The current visit of Greek Deputy Prime Minister Venizelos to Turkey is not expected to result in any formal agreement but will contribute to the solution of common problems and facilitate the cooperation of the two countries in NATO. As a gesture of good will, the visit will also help to allay traditional Greek-Turkish enmity.

The only problem expected to receive specific attention is that of the periodic violation by Greek fishermen of Turkish territorial waters, which has led to frequent bitterness between the governments in the past. Previous reports indicated that Venizelos might make a definite proposal for a joint defense of the Balkan and Turkish area. The impending entrance of Greece and Turkey into NATO, however, makes it doubtful that such proposals would lead to any specific military discussions at the present time.

WESTERN EUROPE

8. Italian Communists plan to exploit rightist opposition to NATO:

25X1A



The Italian Communist Party, in preparation for local elections in the spring, intends to concentrate on opposition to NATO and defense of "national independence." The Communists will exploit the differences not only among Premier de Gasperi's Christian Democrats but also within the neo-fascist Italian Social Movement, where a considerable group is strongly opposed to NATO. To this end, Communist agents are working within the Italian Social Movement under the supervision of a member of the Italian Communist Politburo.

Competent observers consider that the Italian Communist Party may become the strongest political party because of the differences among the non-Communists.

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Comment: Italy's support of NATO is largely confined to political leaders. The people as a whole are apathetic.

The anti-NATO sentiment within the Italian Social Movement is particularly important since the weakened Christian Democrats are reportedly turning to the extreme right for political support. Vatican leaders and others are increasingly apprehensive over the diminishing popular support of Christian Democratic policies, including the alliance with the West.

9. France demands limit on German armament production:

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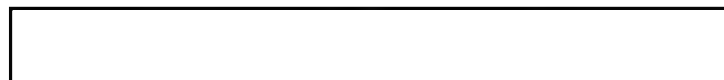
France will accept a German military contribution to Western defense only if it can be sure that the United States will not permit Germany to regain its position as a "great military arsenal," according to the French High Commissioner. The Commissioner points out that France continues to be disquieted because it believes that the United States is pressing for German arms manufacture, and he feels that there can be no sense of security in France or Europe unless the US guarantees that Germany will not exceed its armament production quota.

Chancellor Adenauer recently hinted to the US High Commissioner that the Germans may accept some armament production restrictions under NATO, but the Commissioner warns that this may be just another attempt by Adenauer to obtain NATO membership for Germany.

Comment: The question of security controls over German armament production is still the basic obstacle to agreement on the European Defense Community and on German participation in Western defense. The French refuse to write into the EDC treaty controls which will be unenforceable without American support. A compromise on this issue may be necessary to obtain French acquiescence to German participation in NATO.

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10. Saar issue threatens Adenauer Government:

25X1A

[REDACTED] The French appointment of an ambassador to the Saar has seriously undermined Chancellor Adenauer's political position. Top German Foreign Office spokesmen state that pressure on Adenauer from all parliamentary factions compelled him to schedule for 7 February the Bundestag debate on rearmament which he had previously postponed.

Unless Adenauer can obtain some prior French action to calm the "embittered" parliamentary atmosphere, the government will be defeated on the European Defense Community. This would force either abandonment of German integration into Western defense or resignation of the government.

German diplomats feel that a crisis might be averted if France were to announce "free" elections in the Saar and were also to declare that the status quo in the Saar had not been altered by recent French action.

The US High Commissioner comments that "I am for the first time really worried."

Comment: The statements of the German spokesmen probably represent a move by Adenauer to force the Allies to intervene in the French-German controversy. Under the present circumstances it is doubtful that Adenauer will go through with the debate as scheduled since he risks sure defeat if he does so, whereas he would meet only continued pressure if he delayed the discussion.

11. French Communists propagandize for east-west trade:

25X1A

[REDACTED] The American Embassy in Paris believes that a Communist motion in the National Assembly for the establishment of normal east-west commercial relations "necessary for the prosperity of France" is obviously designed to whip up enthusiasm for the Moscow Economic Conference in April, as well as to build up sentiment favorable to the current French-Soviet trade negotiations.

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This "cleverly keyed" campaign is having some effect, as indicated by the passage of east-west trade resolutions in several non-Communist municipal councils.

Comment: This phase of the Communist propaganda campaign is well timed to exploit the growing opposition in Western Europe to American demands for tighter east-west trade controls. The Italian Communists have also opened a press campaign supporting the Economic Conference, seeking to show that US pressure against trade with the Satellites hurts the economies of Western European countries.

French manufacturers are particularly vulnerable to the temptations of trade with the Soviet Orbit at this time when certain French exports are declining and the spectre of currency devaluation looms large.

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